Atlantic Pilotage Authority

Administration de Pilotage de l'Atlantique

910- 2000 Barrington Street
Halifax, NS B3J 3K1

Summary of

2004 – 2008

Corporate Plan

Canada

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Summary of 2004-2008 Corporate Plan

INCORPORATION

The Atlantic Pilotage Authority ("Authority") was established February 1, 1972, pursuant to the ***Pilotage Act,*** as a body corporate consisting of a Chairman and not more than six members, all appointed by the Governor-in-Council.

The Authority is a schedule III, Part I Crown Corporation pursuant to the ***Financial Administration Act.*** The Authority is not an agent of Her Majesty.

This summary is submitted pursuant to Section 125 of the ***Financial Administration Act.***

MANDATE

The mandate of the Atlantic Pilotage Authority is to establish, operate, maintain and administer, in the interest of safety, an efficient pilotage service within the Atlantic region.

MISSION

The Authority will accomplish this by providing the necessary expertise and experience, associated with the appropriate technology, to meet the needs of the industry. The Authority is committed to maximizing the use of its resources/assets to meet the goals in a safe and environmentally responsible manner.

VISION STATEMENT

To continue to provide an effective pilotage service throughout the Atlantic Region. In doing so, the Authority would maximize opportunities and benefit the various ports/districts and surrounding communities

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CORPORATE GOVERNANCE

The Canada Marine Act allowed for the implementation of a part-time chairman and full time chief executive officer (Annex 2). The CEO is accountable to the Board of Directors and through his role ensures that the necessary consistency, expertise and daily administration tasks are fulfilled. Such direction is consistent with corporate governance.

The present Board structure of having a chair, two pilots, two shipping industry representatives and two public sector representatives ensures an excellent cross section of knowledge, shipping perspective and business acumen. The Board of an Authority is accountable to the Minister of Transport for its decisions. The members are appointed by the Governor in Council and are accountable to the Government of Canada and public at large. Prior to the appointment of the two shipping representatives, names are solicited from the Canadian Ship Owners Association and Shipping Federation of Canada and are subsequently given to the Minister of Transport for his consideration.

The Authority fully endorses the make-up of the Board, management and staff. By having such an effective system in place, it believes that it is fulfilling its mandate, as well as meeting the requirements of good corporate governance.

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Executive Summary

The Atlantic Pilotage Authority continues to achieve its mandate of providing, in the interest of safety, an efficient pilotage service in the Atlantic Provinces.

The Authority provides a crucial pilotage service within Atlantic Canada. This service contributes significantly to the safety of vessels, their crews, and the Canadian environment. As a regulated authority given the responsibility of providing this service, it continues to act in the interest of the people of Canada in fulfilling its mandate.

The Pilotage Risk Management Methodology (PRMM) review of size and types of vessels subject to compulsory pilotage will shortly be published in the Canada Gazette. It is anticipated that should the recommendation become legislated, there will be some operational and financial impacts upon certain ports and districts. Another review, which involves analysis of a compulsory area, was conducted using the PRMM process.

In 2002, the Authority proposed a two-year tiered tariff recommended, which impacted upon seven of the APA's sixteen compulsory ports/districts. The new tariff regulation came into effect during February of 2003. Although a last minute objection was initially filed with the CTA, the Authority and the objecting party were able to come to an agreement and the objection was retracted. The CTA did not become involved in the process. Also as a result of the agreement, a joint committee including senior stakeholders was formed to discuss operational and financial issues regarding the APA. Through this ongoing consultations process, it is believed that objections will be mitigated in the future, owing to a better comprehensive understanding and agreement by those stakeholders regarding the mandate and objectives of the Authority.

The Authority does not plan any additional tariffs, other than those already proposed for 2004. However, the Authority will rescind the proposed 2004 tariff increase for the Strait of Canso. This is due to higher than anticipated revenue and assignments in the district, and the prospect of additional activity because of anticipated new businesses within the port.

As reported within the previous Corporate Plan (2003-2007), noticeable changes in traffic patterns have been occurring within individual ports in recent years. There continues to be strong growth in Placentia Bay, NL, and in the Strait of Canso (Cape Breton pilotage district).

Owing to Placentia Bay's operational requirements, there continues to be a demand for increased resources (pilots and pilot boats) to be available 24/7. Because of seasonal weather conditions and the distances involved in boarding/disembarking the pilot (52 nautical miles round trip), the Authority has determined that a second fast pilot boat is required in the Bay.

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The Authority is committed to providing the service, and has indicated the intention to purchase or construct a suitable vessel in this Corporate plan. However, the Authority is also interested in exploring different business models to achieve the goal, and, with that in mind, has requested Expressions of Interest from private business to explore alternatives in providing the service. The business plans submitted will be evaluated against the current operation to determine the most effective way to ensure the provision of a reliable pilot boat service within Placentia Bay.

The urgency of the situation in Placentia Bay has meant that the proposed new pilot boat for the Port of Halifax has been deferred. The current plan is to purchase or construct the new Port of Halifax boat in 2005.

Another important management objective of the Authority is the negotiation and renewal of the three collective agreements with the Authority's unionized employees. Although, this process remains pending, it is anticipated that this will impact on future expenditures, and an allowance for increased salary costs is included for each year of this plan. The Authority successfully concluded a renewal of the Resolution of Contract Renewal Disputes Agreement with its employee pilots, for the term of the next collective agreement. Under this agreement, labour peace in ensured as the risk of strike or lockout is removed.

Over the past year the Authority has implemented a system of regular internal audits by an independent Chartered Accountant firm, separate from its annual external audit carried out by the Office of the Auditor General. This has proven beneficial and provides additional financial assurance.

The Board continues its mandate of ensuring good corporate governance. Sub committees including Audit, Regulations, Corporate Governance and Pilot Boat, have been established and have proven beneficial. Furthermore, the appointment of a new Board Member, with a professional background in accounting, has been extremely beneficial both to the Board at large and to its Audit Committee.

The Board is committed to overseeing a sound strategic direction in the following areas:

- Governance;
- Quality of Service;
- Safety of the Environment;
- Financial Self-Sufficiency;
- Technology;
- Human Resources; and
- Completion of CTA recommendations

The Board and management believe that focusing upon these seven strategies will enable the Authority to support and sustain a crucial pilotage service within the Atlantic Region.

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Description of Operations

Since 1972, the Authority has operated, in the interest of safety, a marine pilotage service for all Canadian waters surrounding the four Atlantic Provinces and within certain waters in the Bay of Chaleur. This is the only program of business for the Authority.

The Authority provides ships that enter Atlantic Canadian Ports with licensed pilots in order to ensure that these ships enter, leave, or move about within the pilotage area as safely as possible. The Authority organizes its operations according to the geographic location of the pilotage area, which may be either compulsory or non-compulsory. A pilot may be an employee, an entrepreneur, or a member of a body corporate contracting with the Authority for pilotage services. Pilot boat services may be owned and operated by the Authority or by a private operator who has a contract with the Authority. A complete breakdown of all revenue and costs related to the pilotage service is calculated and totaled for each port and area, and summarized for the entire operation.

Demand for the services of the Authority is, for the most part, determined by the shipping industry, over which the Authority has little or no control. The Authority evaluates its performance according to the achievement of a safe, efficient, and effective marine pilotage service and financial self-sufficiency.

In addition, success is determined by how well the Authority adapts to changes in world trade, and patterns that develop within the shipping industry. Shipping operates on derived demand. The Authority does not attract ships to the Atlantic region; it merely responds to a demand that is influenced by a number of factors.

The Authority operates within the marine transportation sector. No competition exists to provide this service in compulsory pilotage areas. Regarding the subject of proposed tariff adjustments, the Authority may be challenged by third-party organizations that appeal, under the Pilotage Act, to the Canadian Transportation Agency (CTA). In the event of an appeal, the CTA is required to make an investigation of the proposed tariff charges and render a recommendation to the Authority. The *Pilotage Act* requires that the CTA files a copy of its recommendation with the Minister of Transport. The Authority is obliged to abide by the recommendation.

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Revenue and Traffic Patterns

The Authority categorizes its assignments into 16 compulsory areas: Halifax, Sydney, Bras d'Or, Canso, Pugwash, Saint John, Miramichi, Restigouche, St. John's, Holyrood, Placentia Bay, Humber Arm, Stephenville, Bay of Exploits, Charlottetown, and Confederation Bridge. Pilotage Service is provided to many non-compulsory ports upon demand. Total number of estimated assignments for 2004 is budgeted at 11,005.

Dispatch

The Authority provides dispatching services throughout its region from a dispatch centre located at its head office. The dispatching service provides significant information and added value to pilots, customers, port authorities, and management through controlled access web pages established for each group. The web pages are continuously updated from the Authority's Dispatch and Billing System as the dispatcher enters data. Customers and pilots are able to contact dispatch by telephone, e-mail, facsimile, VHF radio, and telex. As the service evolves, it is expected to increase the efficiency of the Authority's operations while continuing to add value for customers and employees.

Pilotage Boat Service Contracts

The Authority prefers that all pilot boat contracts be paid on a per trip basis. This avoids a situation where a guaranteed annual amount of money is paid that has no relation to the number of assignments and revenue in that port. This principle is followed with a few minor exceptions to address local issues in a port.

Pilot boat costs are made up of those incurred by the Authority in operating its own vessels, those paid to a contractor to provide a pilot boat service, and fees paid on an ad hoc basis to local entrepreneurs in minor non-compulsory ports where it is not feasible to have a formal pilot boat contract. The Authority attempts to use its own boats in the most efficient manner possible and to control costs where possible. The costs in ports in which a private contractor provides service will fluctuate based on the volume of traffic in the port.

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Statement of Human Resources
2001-2008

	ACTUAL 2001	ACTUAL 2002	OUTLOOK 2003	BUDGET 2004	PLAN 2005	PLAN 2006	PLAN 2007	PLAN 2008
ADMINISTRATION								
EXECUTIVE OFFICERS	3	3	3	3	3	3	3	3
SUPPORT	5	5	5	6	6	6	6	6
	8	8	8	9	9	9	9	9
OPERATIONS								
PILOTS	41	43	42	42	43	43	44	44
PILOT BOAT CREWS	13	13	13	13	13	13	13	13
DISPATCHERS	6	6	6	6	6	6	6	6
ENTREPRENEURIAL PILOTS	14	14	14	14	14	14	14	14
	74	76	75	75	76	76	77	77
TOTAL MANPOWER RESOURCES	**82**	**84**	**83**	**84**	**85**	**85**	**86**	**86**

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Statement of Operations
Years Ended December 31
(000's)

STATEMENT OF OPERATIONS	ACTUAL	OUTLOOK	BUDGET	PLAN			
	2002	2003	2004	2005	2006	2007	2008
INCOME							
PILOTAGE CHARGES	$ 13,836	$ 15,782	$ 15,906	$ 16,638	$ 17,423	$ 17,950	18,309
INTEREST & OTHERS	405	442	225	200	200	225	235
TOTAL INCOME	14,241	16,224	16,131	16,838	17,623	18,175	18,544
EXPENSES							
PILOTS FEES, SALARIES, AND BENEFITS	7,218	7,742	7,706	8,170	8,399	8,650	8,825
PILOT BOATS	3,401	4,040	3,756	3,870	3,980	4,100	4,180
STAFF SALARIES AND BENEFITS	1,075	1,095	1,180	1,220	1,255	1,290	1,320
TRANSPORTATION	709	765	755	785	800	825	840
PROFESSIONAL AND SPECIAL SERVICES	398	380	395	425	430	445	455
TRAINING	249	250	250	250	250	260	265
RENTALS	171	190	200	210	215	225	230
COMMUNICATION	170	145	150	160	165	170	175
UTILITIES, MATERIALS, AND SUPPLIES	244	245	265	275	280	295	300
AMORTIZATION	354	275	325	390	395	415	425
TOTAL EXPENSES	13,989	15,127	14,982	15,755	16,169	16,675	17,015
NET PROFIT	$ 252	$ 1,097	$ 1,149	$ 1,083	$ 1,454	$ 1,500	$ 1,529

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Balance Sheet
Years Ended December 31
(000's)

	ACTUAL 2002	OUTLOOK 2003	BUDGET 2004	PLAN 2005	PLAN 2006	PLAN 2007	PLAN 2008
ASSETS							
CURRENT							
CASH	$ 929	$ 1,411	$ 1,200	$ 1,918	$ 2,437	$ 3,152	$ 4,871
ACCOUNTS RECEIVABLE	1,864	1,964	1,975	1,985	1,990	1,990	1,990
PREPAID EXPENSES	47	47	47	47	47	47	47
	2,840	3,422	3,222	3,950	4,474	5,189	6,908
SEGREGATED INVESTMENTS	887	1,187	1,487	987	1,487	1,987	987
FIXED							
CAPITAL AT COST	6,048	6,428	8,903	11,403	11,903	12,403	14,903
LESS ACCUMULATED AMORTIZATION	3,259	3,534	3,859	4,249	4,644	5,059	5,519
	2,789	2,894	5,044	7,154	7,259	7,344	9,384
	$ 6,516	$ 7,503	$ 9,753	$ 12,091	$ 13,220	$ 14,520	$ 17,279
LIABILITIES							
CURRENT							
ACCOUNTS PAYABLE	$ 1,189	$ 1,039	$ 800	$ 760	$ 665	$ 665	$ 665
LONG TERM							
TERMINATION BENEFITS	704	744	684	679	649	649	679
CAPITAL LOAN	-	-	1,400	2,700	2,500	2,300	3,500
	704	744	2,084	3,379	3,149	2,949	4,179
TOTAL LIABILITIES	1,893	1,783	2,884	4,139	3,814	3,614	4,844
CONTRIBUTED CAPITAL AND EQUITY							
CONTRIBUTED CAPITAL	2,305	2,305	2,305	2,305	2,305	2,305	2,305
EQUITY (DEFICIT)	2,318	3,415	4,564	5,647	7,101	8,601	10,130
	4,623	5,720	6,869	7,952	9,406	10,906	12,435
	$ 6,516	$ 7,503	$ 9,753	$ 12,091	$ 13,220	$ 14,520	$ 17,279

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Statement of Changes
Years Ended December 31
(000's)

	ACTUAL 2002	OUTLOOK 2003	BUDGET 2004	PLAN 2005	PLAN 2006	PLAN 2007	PLAN 2008
OPERATING ACTIVITIES							
CASH PROVIDED BY (USED FOR) OPERATIONS							
NET PROFIT FOR YEAR	$ 252	$ 1,097	$ 1,149	$ 1,083	$ 1,454	$ 1,500	$ 1,529
ITEMS NOT REQUIRING CASH							
AMORTIZATION	354	275	325	390	395	415	460
INCREASE (DECREASE) IN EMPLOYEE TERMINATION BENEFITS- SEVERANCE	115	120	115	120	120	125	150
	721	1,492	1,589	1,593	1,969	2,040	2,139
CAPITAL LOAN REPAYMENT	-	-	(100)	(200)	(200)	(200)	(300)
CASH PROVIDED BY (USED FOR) NON-CASH WORKING CAPITAL	9	(250)	(250)	(50)	(100)	-	-
EMPLOYEE TERMINATION BENEFIT PAYMENTS	(110)	(80)	(175)	(125)	(150)	(125)	(120)
CASH PROVIDED BY OPERATING ACTIVITIES	$ 620	$ 1,162	$ 1,064	$ 1,218	$ 1,519	$ 1,715	$ 1,719
FINANCING ACTIVITIES							
CASH PROVIDED BY FINANCING ACTIVITIES	-	-	1,500	1,500	-	-	1,500
INVESTING ACTIVITIES							
(INCREASE) DECREASE IN INVESTMENTS	-	(300)	(300)	500	(500)	(500)	1,000
NET ADDITIONS TO CAPITAL ASSETS	(413)	(380)	(2,475)	(2,500)	(500)	(500)	(2,500)
CASH USED FOR INVESTING ACTIVITIES	(413)	(680)	(2,775)	(2,000)	(1,000)	(1,000)	(1,500)
INCREASE IN CASH AND SHORT TERM INVESTMENT DURING THE YEAR	$ 207	$ 482	$ (211)	$ 718	$ 519	$ 715	$ 1,719
CASH, BEGINNING OF YEAR	722	929	1,411	1,200	1,918	2,437	3,152
CASH AND INVESTMENTS, END OF YEAR	$ 929	$ 1,411	$ 1,200	$ 1,918	$ 2,437	$ 3,152	$ 4,871

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Capital Expenditure Comparison
(000's)

	2002 PLAN	2002 ACTUAL	2003 PLAN	2003 FORECAST	2004 PLAN
PILOT BOATS					
Purchase of New Boat			2,000	-	2,000
Pilot Boat Refit	75	277	75	100	75
Pilot Boat Equipment	75	75	125	100	125
ACQUISITION OF WHARF	-	-	50	50	-
COMMUNICATIONS EQUIPMENT	50	10	25	10	25
LEASEHOLD IMPROVEMENTS	50	5	25	25	25
COMPUTER AND OFFICE EQUIPMENT	75	23	75	55	100
SOFTWARE FOR COMPUTER PROGRAMS	100	23	100	40	125
TOTAL	$ 425	$ 413	$ 2,475	$ 380	$ 2,475